



## LOCAL TAXES ON LEASED CARS

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### PROPERTY TAX VS. EXCISE TAX

Property taxes are based on a property's fair market value, a portion of which is assessed for taxes at a specified rate. In Connecticut, taxable property, including motor vehicles, are assessed for taxes at 70% of fair market value and taxed at a locally determined rate.

Excise taxes are generally levied on specific products, in addition to sales and use taxes. Some states, including Maine, Massachusetts, and Rhode Island, impose these taxes on motor vehicles in lieu of a property tax for the privilege of operating or registering a motor vehicle. These taxes are typically based on a vehicle's sticker price and taxed at a rate that declines annually according to a statutory schedule.

### QUESTION

Who is liable for paying local taxes on leased cars in Connecticut, the other New England states, and New Jersey and New York?

### SUMMARY

People leasing cars in the selected states that levy local motor vehicle taxes and fees generally pay them, unless the lease agreement requires otherwise. Leased and privately owned cars are subject to property taxes in Connecticut; excise taxes in Maine, Massachusetts, and Rhode Island; and motor vehicle registration fees in New Hampshire. They are not subject to local taxes in New Jersey, New York, and Vermont.

### CONNECTICUT

Connecticut car owners, including leasing companies, are liable for local property taxes. Most leasing companies, though, pass on the taxes to lessees.

Some build the taxes into monthly lease payments, as

landlords build real estate taxes into monthly rent payments, while others pay the tax and then bill the lessee for the tax payment, explained Colchester tax assessor John Chaponis. Lessees should examine the lease agreement to determine who is responsible for paying the tax.

## **MAINE**

Maine municipalities levy an annual motor vehicle excise tax on owned and leased vehicles “for the privilege of operating a vehicle on the public ways” ([Me. Rev. Stat. tit 36, § 1482 \(1\) \(C\)](#)). The tax is based on the vehicle’s suggested retail price and a statutorily determined tax rate that decreases over six years. The law does not specify who must pay the tax on a leased vehicle, only that it must be paid to the municipality where it would be paid if the lessee owned the vehicle ([Me. Rev. Stat. tit 36, § 1484 \(3\)\(D\)](#)). Arguably, the lease agreement would specify who is responsible for paying the tax.

## **MASSACHUSETTS**

Privately owned and leased vehicles are subject to Massachusetts’ excise tax, which municipalities levy based on a vehicle’s value and a statutorily determined tax rate. The party obliged to pay the tax on a leased vehicle is specified in the lease agreement, according to the Massachusetts [Registry of Motor Vehicles](#). If an agreement does not specify who is responsible for paying the tax, the Registry advises lessees to discuss the matter with the leasing company:

Normally, if the car is registered in the driver’s name, the registration creates an obligation and liability for the payment of the excise tax upon the driver, not the leasing company. Even if the car is registered in the leasing company’s name, however, there may be terms in the contract passing on any taxes, excise included, onto the driver, so it is best to check the contract.

## **NEW HAMPSHIRE**

Leased vehicles are subject to New Hampshire’s annual municipal motor vehicle registration fee, which is based on the vehicle’s value and a statutorily determined rate ([N.H. Rev. Stat. Ann. § 261.1](#)). The fee is paid by the person leasing the vehicle, the Manchester, New Hampshire tax collector stated.

## **RHODE ISLAND**

Leased vehicles are subject to Rhode Island’s annual motor vehicle excise tax, which is based on motor vehicle values and locally set rates ([R.I. General Laws § 44-34-1](#)). “Tax bills are usually billed to the leasing company,” according to [Providence’s tax collector](#). The party responsible for paying the tax depends on the

lease agreement, tax collector John Murphy explained. "In the vast majority of cases, the leasing agency pays the tax and the person leasing the car reimburses the leasing company as part of the monthly payment," he added.

## **HYPERLINKS**

Me. Rev. Stat. tit 36, § 1482 (1):

<http://www.mainelegislature.org/legis/statutes/36/title36sec1482.html>

Me. Rev. Stat. tit 36, § 1484 (3) (D):

<http://www.mainelegislature.org/legis/statutes/36/title36sec1484.html>

Massachusetts Registry of Motor Vehicles:

<http://www.sec.state.ma.us/cis/cisexc/excidx.htm>

N.H. Rev. Stat. Ann. § 261.1:

<http://gencourt.state.nh.us/rsa/html/xxi/261/261-mrg.htm>

R.I. General Laws § 44-34-1:

<http://webserver.rilin.state.ri.us/Statutes/TITLE44/44-34/44-34-1.HTM>

City of Providence, Rhode Island, Tax Collector:

<https://www.providenceri.com/collector/information-on-car-excise-taxes>

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